

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6881

BILL NUMBER: HB 1170

NOTE PREPARED: Feb 22, 2010

BILL AMENDED:

SUBJECT: Review and Reorganization of County Government.

FIRST AUTHOR: Rep. Culver

FIRST SPONSOR:

BILL STATUS: As Passed Senate

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

It provides that, in 2011 and every 10 years thereafter, each county must enter into a contract with an independent person to conduct an efficiency review of the county's government.

It specifies certain issues that must be addressed in the efficiency review.

It provides that a county may contract with a person to conduct the efficiency review only if the person has been certified by the State Board of Accounts.

It specifies that an efficiency review report submitted to a county may include recommendations regarding the issues studied as part of the efficiency review.

It provides that the voters of the county may initiate a public question on one or more of the recommendations by submitting a petition signed by at least 2% of the voters of the county.

It provides that, if a recommendation is approved in a public question, the county shall implement the recommendation.

It requires the State Board of Accounts to develop the contract provisions (other than cost and payment provisions) that must be used by a county in addressing the issues that are required to be included in an efficiency review, and it provides that a county may add provisions to the contract to address additional issues.

Effective Date: Upon passage.

Explanation of State Expenditures: *State Board of Accounts (SBOA):* Costs for the State Board of Accounts will increase minimally to adopt rules for certification and to develop and adopt rules with the Department of Local Government Finance (DLGF) to assist counties in implementing recommendations. Additional minimal costs may result if the SBOA adopts rules or guidelines concerning the content and form of efficiency review reports and for the SBOA to develop contract provisions. Also, the SBOA will incur indeterminate additional costs to certify efficiency review contractors. These certification costs will depend on the decisions of the SBOA in developing standards and on the number of people who apply to the SBOA to conduct the efficiency reviews.

The bill's requirements represent an additional workload and expenditures on the SBOA outside of the agencies' routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill would have indeterminate fiscal impact. There are no data available to indicate the range of cost for the decennial efficiency reviews. The amount of time that the contractor will spend evaluating the county government will be based on any requirements of the review adopted into rules by the SBOA and the county size as measured by the population, fiscal and management complexity, and geography.

To the extent that there are inefficiencies found and recommendations implemented through this decennial review process, cost savings will result. The magnitude of these cost savings is indeterminate and will vary by county.

Additionally, any county that fails to enter into a contract for an efficiency review would be subject to a penalty equal to withholding the sum of 5% of the county's certified shares of county adjusted gross income tax revenue or 5% of the county's part of certified distribution of county option income tax, and 5% of the county's distribution from the Motor Vehicle Highway Account Fund.

Background: The SBOA currently conducts fiscal and compliance audits of counties, but does not perform performance or efficiency studies. Under statute, the SBOA charges local units \$45 per day for each field examiner, private examiner, expert, or employee who makes examinations or investigations.

Explanation of Local Revenues:

State Agencies Affected: SBOA, DLGF.

Local Agencies Affected: Counties.

Information Sources: Bruce Hartman, State Examiner, SBOA.

Fiscal Analyst: Karen Firestone, 317-234-2106.